

**CITY OF DYSART**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2010**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 15-16
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C 18
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E 20
Notes to Financial Statements	21-27
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	29-30
Notes to Required Supplementary Information – Budgetary Reporting	31
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds – Summary	1 33
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds – Special Revenue Funds	2 34
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds – Debt Service Funds	3 35
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds – Capital Projects Funds	4 36
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	5 37
Schedule of Indebtedness	6 38-39
Bond and Note Maturities	7 40-41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	8 42
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	43-44
Schedule of Findings and Questioned Costs	45-48
Staff	49

**City of Dysart**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 1, 2010)</b>		
Donald Lyons	Mayor	January 2012
Tim Glenn	Council Member	January 2010
Kent King	Council Member	January 2010
Kevin Kugel	Council Member	January 2010
Rich Behrens	Council Member	January 2012
Don Zeien	Council Member	January 2012
<b>(After January 1, 2010)</b>		
Donald Lyons	Mayor	January 2012
Don Zeien	Council Member	January 2012
Rich Behrens	Council Member	January 2012
Tom Brandt	Council Member	January 2014
Pam Thiele	Council Member	January 2014
Tim Glenn	Council Member	January 2014
Roxanne Schneider	City Clerk	
Kelli Knoop	Deputy City Clerk	
Nancy Burk	City Attorney	

Alan W. Flick, C.P.A.  
Gina E. Trimble, C.P.A.

819 1<sup>st</sup> St E  
Independence, IA 50644  
(319)334-4211  
Fax (319)334-6454

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dysart's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2010 on our consideration of the City of Dysart's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 28 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dysart's basic financial statements. We did not previously audit the financial statements for the year ended June 30, 2009. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

December 17, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased significantly from fiscal year 2009 to fiscal year 2010. Total governmental revenues were \$951,922 in FY 00, and \$1,333,351 in FY 10. The increase can be attributed to the issuance of \$400,00 in general obligation bonds to finance street and storm sewer projects. Property tax revenues increased approximately \$10,466, while TIF revenues held steady at \$65,870 for fiscal year 2010, as compared to \$65,938 for fiscal year 2009.
- Governmental disbursements decreased approximately \$239,698 from fiscal year 2009 to fiscal year 2010. Capital project expenses increased by \$9,647. Public Safety disbursements decreased by \$153,327 as a result of fewer capital equipment purchases for the ambulance service and fire department. Public works expenditures decreased approximately \$76,468, Culture & Recreation expense decreased approximately \$16,931, and Community & Economic Development expenses decreased slightly at \$1,858. General government expenses were again stable, showing a slight decrease from \$50,141 to \$48,250. Debt Service expenses were also stable at \$236,444, as compared to \$235,314 last fiscal year. Business type expenses also showed a decrease, from \$1,665,857 to \$1,623,701.
- The City's total cash basis net assets increased \$716,166 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$445,704; the assets of the business type activities increased by approximately \$270,462. The increase can again be attributed in part to the issuance of general obligation bonds. The bulk of the expenses will not be expended until fiscal year 2011.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than

the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statement**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sanitary Sewer Fund, Electric Fund and Garbage Service Fund. These activities are financed primarily by user charges.

### **Fund Financial Statements**

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general

government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four major Enterprise Funds to provide separate information for the water, sewer, garbage and electric funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.14 million to approximately \$1.59 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009
Receipts & transfers:		
Program Receipts:		
Charges for service	\$130,468	\$ 140,670
Capital grants, contributions and restricted interest	0	0
Operating grants, contributions and restricted interest	52,142	138,750
General Receipts:		
Property Tax	410,578	400,112
Local option sales tax	77,548	77,249
TIF Revenues	65,870	65,938
Other city tax	3,340	1,669
Unrestricted investment earnings	11,641	17,318
Bond proceeds	396,800	0
Other general receipts	166,123	98,724
Special Assessments	18,841	11,492
Net Transfers in (out)	<u>16,800</u>	<u>48,480</u>
Total receipts & transfers	1,350,151	1,000,402
Disbursements:		
Public Safety	206,347	359,674
Public Works	89,943	166,411
Health and social services	0	0
Culture and recreation	185,374	202,305
Community & economic development	17,751	19,610
General government	48,250	50,141
Debt Service	236,444	235,314
Capital projects	<u>120,338</u>	<u>110,691</u>



Total disbursements	904,447	1,144,145
Increase (decrease) in cash basis net assets	445,704	-143,743
Cash basis assets beginning of year	1,144,579	1,288,322
Cash basis assets end of year	<u>\$1,590,283</u>	<u>\$1,144,579</u>

The City's total receipts for governmental activities increased by approximately \$350,000, from \$1,000,402 to \$1,350,151. The primary reason for the increase was issuance of general obligation bonds for the 2010 Infrastructure Projects. The total cost of all programs and services decreased by approximately 20% or \$239,698. The decrease was attributable to fewer capital purchases in the public safety function in FY 2010, and the timing of capital projects.

Property tax rates for 2010 again held steady, at a rate of \$12.65558, as compared to a rate of \$12.62702/\$1000 valuation in fiscal year 2009. Overall property tax revenues increased from \$400,112 to \$410,578, thanks to an increase in taxable value. TIF revenues also held steady, with revenues of \$65,938 during the fiscal year 2009, and \$65,870 during fiscal year 2010. Local option sales tax revenues increased slightly, with \$77,548 received during fiscal year 2010, as compared to \$75,958 received in fiscal year 2009. Local option sales tax revenues are used to service the aquatic center debt.

There were several changes in the governmental program expenses also. Public Safety expenditures decreased by \$153,327 due fewer capital purchases. Public Works expenditures decreased by \$76,468. Culture & Recreation expenses increased by approximately \$17,000 and Community & Economic Development expenses decreased by approximately \$1,900. Capital Projects increased slightly, from \$110,691 in fiscal year 2009 to \$120,338 in fiscal year 2010.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts & transfers:		
Program Receipts:		
Charges for service		
Water	\$ 273,806	\$ 297,466
Sewer	84,509	87,086
Electric	1,158,897	1,137,617
Garbage	320,652	269,632
Capital grants, contributions and restricted interest	0	6,401
General Receipts:		
Unrestricted investment earnings	15,466	15,562
Bond proceeds	0	0
Other general receipts	57,633	0
Transfers in	<u>0</u>	<u>0</u>

Total receipts & transfers	1,910,963	1,813,764
Disbursements:		
Water	258,082	280,841
Sewer	77,978	166,315
Electric	936,172	883,077
Garbage	276,194	263,549
Debt Service	75,275	72,085
Transfers out	<u>16,800</u>	<u>48,480</u>
Total disbursements & transfers	1,640,501	1,714,347
Increase (decrease) in cash basis net assets	270,462	99,417
Cash basis assets beginning of year	1,156,185	1,056,768
Cash basis assets end of year	<u>\$1,426,647</u>	<u>\$1,156,185</u>

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Total business type activities receipts and transfers in for the fiscal year increased approximately \$97,000 from the previous year, coming in at \$1.91 million compared to \$1.81 million last year. Most of the increase can be attributed to a substantial increase in electric rates in January of 2009 due to a 20% increase in wholesale rates. Fiscal year 2010 was the first full year with the new rate schedule. Total disbursements and transfers out for the fiscal year decreased, from \$1,714,347 in fiscal year 2009, to \$1,640,501 in fiscal year 2010. Transfers out to capital projects decreased dramatically. Sewer expenditures decreased as major ongoing sanitary sewer improvement projects took place in fiscal year 2009. Water expenses also decreased, but electric disbursements increased due to the increased wholesale cost in 2009. Garbage expenses also increased due to increased tipping fees at the Tama County Landfill.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of \$1,590,283, an increase of approximately \$446,000 from last year's total of \$1,144,579. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$154,611 from the prior year to \$982,255.
- The Road Use Tax Fund cash balance increased by \$25,387. The reserves will be used for future street improvements.
- The Local Option Sales Tax Fund balance increased from \$67,585 to \$80,761 during fiscal year 2010. Option tax revenues are greater than anticipated, and the increased funds will be used to reduce the aquatic center debt service property tax levy in future years.
- A Low-to-Moderate Income (LMI) Housing Fund was established in fiscal year 2006 to meet the LMI requirements of a housing development rebate agreement. Monies in this fund are allocated for future use benefiting low-to-moderate income residents. The city participates in a low & moderate income home ownership and

rehabilitation program administered through Region 6 Planning Commission, and uses these funds to pay the 10% match up to \$2,499 per home. No homes were eligible in Dysart during fiscal year 2010, so no funds were expended. The cash balance of this fund at the end of the fiscal year was \$28,775.

- The Assisted Living and Dreamfield Capital Campaign funds were closed out during fiscal year 2010. Effective July 1, 2009, the project was officially cancelled, and the balances remaining in those funds were transferred back to the General Fund and the Heckroth Estate bequest.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by approximately \$39,000 to \$273,897. Revenues increased by approximately \$20,000, while expenses decreased by approximately \$20,000.
- The Sewer Fund cash balance increased by \$8,800 to \$106,468. Revenues remained constant from the previous year, and expenses decreased by about \$88,000 due to maintenance and capital projects that took place in fiscal year 2009.
- The Electric Fund cash balance increased by approximately \$190,000 to \$880,474. Cash reserves will be used for future capital improvement projects
- The Garbage Fund cash balance increased by about \$30,000 to \$86,319. The City continues to transfer funds to the Garbage Truck Replacement Fund each month for a future truck purchase.

#### **BUDGETARY HIGHLIGHTS**

The City amended its budget on February 10, 2010, and again on May 19, 2010. The February budget amendment in the amount of \$411,000 included the planned 2010 Streets and Storm Sewer project, as well as increased Tree Board and Animal Control expenses. The May, 2010 amendment showed an increase in expenditures of \$170,000. Reasons for the amendment included: Aquatic Center painting, increased Tree Board/Beautification expenses, and the proposed purchase of a Public Works/Police facility. Ultimately, the Public Works/Police facility project was cancelled. The City issued general obligation bonds to finance the 2010 Streets and Storm Sewer project, and had sufficient cash on hand to finance the remaining items.

#### **DEBT ADMINISTRATION**

On June 30, 2010, the City had \$2,510,000 in bonds and other long-term debt, compared to \$2,370,000 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2010	2009
General obligation bonds & notes	2,305,000	2,100,000
Revenues bonds	<u>205,000</u>	<u>270,000</u>
Total	<u>\$2,510,000</u>	<u>\$2,370,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$3,217,144. With outstanding general obligation debt of \$2,305,000, the city was using approximately 71% of its constitutional debt limit at fiscal year end.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2011 will increase slightly, to \$12.65558/\$1000 in valuation, compared to \$12.58682/\$1000 for fiscal year 2010.

The City will begin planning for the 2011 street improvement program in late November or early December of 2010. No other major projects are anticipated at this time.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa. Phone #319-476-5690.

**City of Dysart**

## **Basic Financial Statements**

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
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Governmental Activities	Business Type Activities	Total
(90,304)	-	(90,304)
30,925	-	30,925
-	-	-
(146,604)	-	(146,604)
(17,751)	-	(17,751)
(11,445)	-	(11,445)
(219,853)	(75,275)	(295,128)
(118,088)	-	(118,088)
(573,120)	(75,275)	(648,395)
-	15,724	15,724
-	222,725	222,725
-	44,458	44,458
-	6,531	6,531
-	289,438	289,438
(573,120)	214,163	(358,957)
356,764	-	356,764
65,870	-	65,870
53,814	-	53,814
77,548	-	77,548
3,340	-	3,340
16,874	15,466	32,340
31,014	57,633	88,647
396,800	-	396,800
16,800	(16,800)	-
1,018,824	56,299	1,075,123
445,704	270,462	716,166
1,144,579	1,156,185	2,300,764
\$ 1,590,283	1,426,647	3,016,930
\$ 92,147	-	92,147
13,618	-	13,618
17,461	76,396	93,857
1,467,057	1,350,251	2,817,308
\$ 1,590,283	1,426,647	3,016,930

City of Dysart  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2010

	General	Capital Project 2010 Infrastructure Project	Other Nonmajor Governmental Funds	Total
<b>Receipts:</b>				
Property tax	\$ 296,396	-	114,182	410,578
Tax increment financing collections	-	-	65,870	65,870
Other city tax	2,428	-	78,460	80,888
Licenses and permits	2,476	-	-	2,476
Use of money and property	13,384	774	2,716	16,874
Intergovernmental	17,915	-	115,177	133,092
Charges for service	130,468	-	-	130,468
Special assessments	-	2,250	16,591	18,841
Miscellaneous	77,464	-	-	77,464
<b>Total receipts</b>	<b>540,531</b>	<b>3,024</b>	<b>392,996</b>	<b>936,551</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	206,347	-	-	206,347
Public works	153	-	89,790	89,943
Health and social services	-	-	-	-
Culture and recreation	185,374	-	-	185,374
Community and economic development	17,751	-	-	17,751
General government	48,250	-	-	48,250
Debt service	-	-	236,444	236,444
Capital projects	-	120,338	-	120,338
<b>Total disbursements</b>	<b>457,875</b>	<b>120,338</b>	<b>326,234</b>	<b>904,447</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>82,656</b>	<b>(117,314)</b>	<b>66,762</b>	<b>32,104</b>
<b>Other financing sources (uses):</b>				
Loan proceeds	-	396,800	-	396,800
Miscellaneous	-	-	-	-
Operating transfers in	91,955	-	220,944	312,899
Operating transfers out	(20,000)	-	(276,099)	(296,099)
<b>Total other financing sources (uses)</b>	<b>71,955</b>	<b>396,800</b>	<b>(55,155)</b>	<b>413,600</b>
<b>Net change in cash balances</b>	<b>154,611</b>	<b>279,486</b>	<b>11,607</b>	<b>445,704</b>
<b>Cash balances beginning of year</b>	<b>827,645</b>	<b>-</b>	<b>316,934</b>	<b>1,144,579</b>
<b>Cash balances end of year</b>	<b>\$ 982,256</b>	<b>279,486</b>	<b>328,541</b>	<b>1,590,283</b>
<b>Cash Basis Fund Balances</b>				
<b>Reserved for:</b>				
Debt service	-	-	17,461	17,461
<b>Unreserved:</b>				
General fund	\$ 982,256	-	-	982,256
Special revenue funds	-	-	215,301	215,301
Capital projects fund	-	279,486	95,779	375,265
<b>Total cash basis fund balances</b>	<b>\$ 982,256</b>	<b>279,486</b>	<b>328,541</b>	<b>1,590,283</b>

See notes to financial statements



## City of Dysart

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2010

<b>Total governmental funds cash balances (page 17)</b>	\$ 1,590,283
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of governmental activities (page 16)</b>	<u>\$ 1,590,283</u>
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<b>Net change in cash balances (page 17)</b>	\$ 445,704
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of governmental activities (page 16)</b>	<u>\$ 445,704</u>
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See notes to financial statements

City of Dysart  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise Funds				Total
	Water	Electric	Garbage	Other Nonmajor Proprietary Funds	
Operating receipts:					
Use of money and property	\$ 3,908	7,958	342	3,258	15,466
Charges for service	273,806	1,158,897	320,652	84,509	1,837,864
Miscellaneous	19,759	35,007	2,178	689	57,633
Total operating receipts	297,473	1,201,862	323,172	88,456	1,910,963
Operating disbursements:					
Business type activities	258,082	936,172	276,194	77,978	1,548,426
Total operating disbursements	258,082	936,172	276,194	77,978	1,548,426
Excess (deficiency) of operating receipts over (under) operating disbursements	39,391	265,690	46,978	10,478	362,537
Non-operating receipts (disbursements):					
Miscellaneous	-	-	-	-	-
Debt service	-	-	-	(75,275)	(75,275)
Total non-operating receipts (disbursements)	-	-	-	(75,275)	(75,275)
Excess (deficiency) of receipts over (under) disbursements	39,391	265,690	46,978	(64,797)	287,262
Operating transfers in/(out)	-	(74,891)	(16,800)	74,891	(16,800)
Net change in cash balances	39,391	190,799	30,178	10,094	270,462
Cash balances beginning of year	237,506	689,675	56,141	172,863	1,156,185
Cash balances end of year	\$ 276,897	880,474	86,319	182,957	1,426,647
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	-	-	-	76,396	76,396
Unreserved	\$ 276,897	880,474	86,319	106,561	1,350,251
Total cash basis fund balances	\$ 276,897	880,474	86,319	182,957	1,426,647

See notes to financial statements

## City of Dysart

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2010

<b>Total enterprise funds cash balances (page 19)</b>	\$ 1,426,647
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of business type activities (page 16)</b>	<u><u>\$ 1,426,647</u></u>
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<b>Net change in cash balances (page 19)</b>	\$ 270,462
--	------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of business type activities (page 16)</b>	<u><u>\$ 270,462</u></u>
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See notes to financial statements

City of Dysart  
Notes to Financial Statements  
June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Dysart is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric, and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Dysart has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Sheriff's department, Tama County Economic Development Commission, Dysart Rural Fire Agency, Inc., Tama County Solid Waste Disposal Commission, Tama County E911 Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Capital Project:

The 2010 Infrastructure Project Fund is used to account for improvements made during 2010 for paving, resurfacing, and storm sewer improvements.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility system.

The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection services.

C. Measurement Focus and Basis of Accounting

The City of Dysart maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010 disbursements did not exceed the amounts budgeted in any function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City maintains funds in a Sweep Manager Account Program with Security State Bank. The Bank transfers funds out of the City's bank account once it meets or exceeds \$52,000 and places them into retail repurchase agreement, or "Repo". The Repos evidence a borrowing to be collateralized by securities, which are held by a third-party custodian. Amounts swept from the bank account into Repos will earn interest rates that are determined by the Bank daily.

The City's investment policy limits the investment of operating funds, those funds which are expected to be expended in the current budget year or within 15 months of receipt, to instruments that mature within 397 days. The maturities shall be consistent with the needs and use of the City.

At June 30, 2010, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	\$939,696	\$939,696	Various

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year Ending June 30,	Revenue Note		General Obligation Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	65,000	7,865	165,000	87,539	230,000	95,404
2012	70,000	5,460	165,000	82,989	235,000	88,449
2013	70,000	2,800	155,000	78,329	225,000	81,129
2014	-	-	160,000	73,219	160,000	73,219
2015	-	-	170,000	67,919	170,000	67,919
2016 - 2021	-	-	1,530,000	302,936	1,530,000	302,936
Total	\$ 205,000	16,125	2,345,000	692,931	2,550,000	709,056

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has issued a General Obligation Bond for the purpose of paying costs associated with constructing street, curb and gutter, storm sewer, and drainage improvements during the year in the amount of \$400,000 with interest rates ranging between 2.00% - 3.60% from March 2, 2010 until maturity on June 1, 2020. The semi-annual payments are to begin December 1, 2010 and the first one will be \$35,000. No principal or interest payments were made during this fiscal year.

#### Revenue Notes

The City has pledged future electric customer net revenues to repay \$600,000 of electric revenue notes issued in March 2003. Proceeds from the notes provided financing for the construction of electrical improvements. The notes are payable solely from electric customer net revenues and are payable through 2013. The total principal and interest remaining to be paid on the notes is \$205,000. For the current year, principal and interest paid were \$75,075.

The electric revenue bond resolution includes a provision that an amount equal to one-twelfth of the bond principal coming due on the succeeding June 1 plus an amount equal to one-sixth of the interest coming due on the succeeding interest payment date to be deposited in an electric revenue sinking fund in monthly installments. In addition, the resolution requires a balance to be maintained in an electric revenue reserve fund at least equal to the lesser of 1) the maximum amount of principal and interest coming due on the notes in any succeeding year, 2) 125% of the average amount of principal and interest coming due on the notes and any parity obligations in any succeeding year, or 3) 10% of

the stated principal amount of the notes and any parity obligations outstanding. As of June 30, 2010, the City was in compliance with these requirements.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$27,777, \$25,401, and \$23,538, respectively, equal to the required contributions for each year.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug benefits for active employees and their families. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement. There are 8 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the full cost of the premium for the medical/prescription drug benefits. Effective July 1, 2009, the City increased the deductibles for the plan from \$1,500 for single and \$3,000 for family to \$3,000 for single and \$6,000 for family and it self funds the increase in deductible for each participant. A third party administrator, Advantage Administrators, coordinates the self funded portion of the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The most recent active member monthly premiums paid for by the City are \$439.34 for single coverage and \$1,098.36 for family coverage. For the year ended June 30, 2010, the City contributed \$97,534 on behalf of plan members.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2010 was \$14,526. This liability has been computed based on rates of pay in effect at June 30, 2010.



**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer from	Transfer to	Amount
General	Debt Service Library Debt	\$ 20,000
Special Revenue Employee Benefits	General	61,024
Special Revenue TIF	Debt Service 2006 Infrastructure Debt	47,133
TIF	Pool Debt	18,152
LOST	Pool Debt	65,000
Capital Projects Assisted Living Dreamfield	General	27,332 3,599
Debt Service Debt Levy	Debt Service Water Bond	31,010
Debt Levy	2006 Infrastructure Debt	15,242
Debt Levy	Pool Debt	7,607
Enterprise Garbage	Capital Projects Garbage Truck Replacement	16,800
Enterprise Electric	Enterprise Electric Debt	74,891

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had no business transactions between the City and City officials during the year ended June 30, 2010.

**(9) Commitments**

In March 1994, the City agreed to pay the Medicare and drug supplement for a retired City employee. The cost to the City for the year ended June 30, 2010 was \$ 3,254.

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2013. The rates for such purchases are subject to review annually.

Under a water purchase contract, the City is committed to the purchase of bulk water from Poweshiek Water Association through 2038. The rates for such purchases are subject to review annually.

The City participates in a 28E organization with Tama County and other cities within Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and post closure care as of March 31, 2010, the most recent date for which such information is available, is approximately \$1,208,000. The Commission has accumulated resources to fund these costs and, at June 30, 2010, assets of \$1,228,000 are restricted for these purposes.

**(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Required Supplementary Information**

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
410,578	408,285	408,285	2,293
65,870	65,285	65,285	585
80,888	68,453	80,953	(65)
2,476	3,425	3,425	(949)
32,340	25,000	25,000	7,340
133,092	120,752	120,752	12,340
1,968,332	2,057,200	2,057,200	(88,868)
	-	3,200	(3,200)
135,097	35,025	65,025	70,072
2,828,673	2,783,425	2,829,125	(452)
206,347	239,100	265,100	58,753
89,943	114,407	114,407	24,464
-	-	-	-
185,374	194,300	209,300	23,926
17,751	16,697	31,697	13,946
48,250	79,434	79,434	31,184
236,444	236,744	236,744	300
120,338	-	400,000	279,662
1,623,701	1,880,375	2,005,375	381,674
2,528,148	2,761,057	3,342,057	813,909
300,525	22,368	(512,932)	813,457
396,800	-	400,000	(3,200)
697,325	22,368	(112,932)	810,257
2,300,764	2,118,679	2,300,764	-
2,998,089	2,141,047	2,187,832	810,257

City of Dysart

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted receipts by \$45,700 and increased budgeted disbursements by \$581,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted in any program.

### **Other Supplementary Information**

## City of Dysart

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Total
Receipts:				
Property tax	\$ 60,368	53,814	-	114,182
Tax increment financing	65,870	-	-	65,870
Other city tax	78,044	416	-	78,460
Licenses and permits	-	-	-	-
Use of money and property	1,045	284	1,387	2,716
Intergovernmental	115,177	-	-	115,177
Charges for services	-	-	-	-
Special assessments	-	16,591	-	16,591
Miscellaneous	-	-	-	-
Total receipts	320,504	71,105	1,387	392,996
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	89,790	-	-	89,790
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt Service	-	236,444	-	236,444
Capital projects	-	-	-	-
Total disbursements	89,790	236,444	-	326,234
Excess (deficiency) of receipts over (under) disbursements	230,714	(165,339)	1,387	66,762
Other financing sources:				
Operating transfers in/(out)	(191,309)	150,285	(14,131)	(55,155)
Loan proceeds	-	-	-	-
	(191,309)	150,285	(14,131)	(55,155)
Net change in cash balances	39,405	(15,054)	(12,744)	11,607
Cash balances beginning of year	175,896	32,515	108,523	316,934
Cash balances end of year	215,301	17,461	95,779	328,541
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	-	17,461	-	17,461
Unreserved:				
Special revenue funds	215,301	-	-	215,301
Capital projects funds	-	-	95,779	95,779
Total cash basis fund balances	215,301	17,461	95,779	328,541

See accompanying independent auditor's report

## City of Dysart

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2010

			Special Revenue			
	Road Use	Employee Benefits	Local Option Sales Tax	Low to Moderate Income Housing	Tax Increment Financing	Total
Receipts:						
Property tax	\$ -	60,368	-	-	-	60,368
Tax increment financing	-	-	-	-	65,870	65,870
Other city tax	-	496	77,548	-	-	78,044
Licenses and permits	-	-	-	-	-	-
Use of money and property	-	160	628	72	185	1,045
Intergovernmental	115,177	-	-	-	-	115,177
Charges for services	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total receipts	115,177	61,024	78,176	72	66,055	320,504
Disbursements:						
Operating:						
Public safety	-	-	-	-	-	-
Public works	89,790	-	-	-	-	89,790
Health and social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic developme	-	-	-	-	-	-
General government	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	89,790	-	-	-	-	89,790
Excess (deficiency) of receipts over (under) disbursements	25,387	61,024	78,176	72	66,055	230,714
Other financing sources:						
Operating transfers in/(out)	-	(61,024)	(65,000)	-	(65,285)	(191,309)
Loan proceeds	-	-	-	-	-	-
	-	(61,024)	(65,000)	-	(65,285)	(191,309)
Net change in cash balances	25,387	-	13,176	72	770	39,405
Cash balances beginning of year	66,760	-	67,585	28,703	12,848	175,896
Cash balances end of year	92,147	-	80,761	28,775	13,618	215,301
<b>Cash Basis Fund Balances</b>						
Reserved:						
Debt service	-	-	-	-	-	-
Unreserved:						
Special revenue funds	92,147	-	80,761	28,775	13,618	215,301
Total cash basis fund balances	92,147	-	80,761	28,775	13,618	215,301

See accompanying independent auditor's report



## City of Dysart

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Debt Service Funds

As of and for the year ended June 30, 2010

	Debt Service					
	Debt Service Levy	Water Bond	Library Debt	Pool Debt	2006 Infrastructure Debt	Total
Receipts:						
Property tax	\$ 53,814	-	-	-	-	53,814
Tax increment financing	-	-	-	-	-	-
Other city tax	416	-	-	-	-	416
Licenses and permits	-	-	-	-	-	-
Use of money and property	146	-	-	-	138	284
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Special assessments	-	-	-	-	16,591	16,591
Miscellaneous	-	-	-	-	-	-
Total receipts	54,376	-	-	-	16,729	71,105
Disbursements:						
Operating:						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic developme	-	-	-	-	-	-
General government	-	-	-	-	-	-
Debt Service	-	31,010	20,000	90,759	94,675	236,444
Capital projects	-	-	-	-	-	-
Total disbursements	-	31,010	20,000	90,759	94,675	236,444
Excess (deficiency) of receipts over (under) disbursements	54,376	(31,010)	(20,000)	(90,759)	(77,946)	(165,339)
Other financing sources:						
Operating transfers in/(out)	(53,859)	31,010	20,000	90,759	62,375	150,285
Loan proceeds	-	-	-	-	-	-
	(53,859)	31,010	20,000	90,759	62,375	150,285
Net change in cash balances	517	-	-	-	(15,571)	(15,054)
Cash balances beginning of year	750	-	-	-	31,765	32,515
Cash balances end of year	1,267	-	-	-	16,194	17,461
<b>Cash Basis Fund Balances</b>						
Reserved:						
Debt service	1,267	-	-	-	16,194	17,461
Total cash basis fund balances	-	-	-	-	-	17,461

See accompanying independent auditor's report

City of Dysart  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Capital Projects Funds

As of and for the year ended June 30, 2010

	Capital Projects				
	Library Project	Assisted Living	Dreamfield Capital Campaign	Garbage Truck Replacement	Total
Receipts:					
Property tax	-	-	-	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	-	-	-	-
Licences and permits	-	-	-	-	-
Use of money and property	1,135	71	9	172	1,387
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	1,135	71	9	172	1,387
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic developme	-	-	-	-	-
General government	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	1,135	71	9	172	1,387
Other financing sources:					
Operating transfers in/(out)	-	(27,332)	(3,599)	16,800	(14,131)
Loan proceeds	-	-	-	-	-
	-	(27,332)	(3,599)	16,800	(14,131)
Net change in cash balances	1,135	(27,261)	(3,590)	16,972	(12,744)
Cash balances beginning of year	52,309	27,261	3,590	25,363	108,523
Cash balances end of year	53,444	-	-	42,335	95,779
<b>Cash Basis Fund Balances</b>					
Reserved:					
Debt service	-	-	-	-	-
Unreserved:					
Capital projects fund	53,444	-	-	42,335	95,779
Total cash basis fund balances	53,444	-	-	42,335	95,779

See accompanying independent auditor's report

## City of Dysart

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise Funds				Total
	Sewer	Electric Revenue Debt	Electric Revenue Reserve	Project Share	
Operating receipts:					
Use of money and property	1,598	160	1,500	-	3,258
Charges for service	84,509	-	-	-	84,509
Miscellaneous	689	-	-	-	689
Total operating receipts	86,796	160	1,500	-	88,456
Operating disbursements:					
Business type activities	77,978	-	-	-	77,978
Total operating disbursements	77,978	-	-	-	77,978
Excess (deficiency) of operating receipts over (under) operating disbursements	8,818	160	1,500	-	10,478
Non-operating receipts (disbursements):					
Miscellaneous	-	-	-	-	-
Debt service	-	(75,275)	-	-	(75,275)
Total non-operating receipts (disbursements)	-	(75,275)	-	-	(75,275)
Excess (deficiency) of receipts over (under) disbursements	8,818	(75,115)	1,500	-	(64,797)
Operating transfers in/(out)	-	74,891	-	-	74,891
Net change in cash balances	8,818	(224)	1,500	-	10,094
Cash balances beginning of year	97,650	6,976	68,144	93	172,863
Cash balances end of year	\$ 106,468	6,752	69,644	93	182,957
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	-	-	-	93	93
Unreserved	\$ 106,468	6,752	69,644	-	182,864
Total cash basis fund balances	\$ 106,468	6,752	69,644	93	182,957

See accompanying independent auditor's report

**Schedule 6**

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	60,000	-	20,000	40,000	-	-
	965,000	-	55,000	910,000	35,759	-
	30,000	-	30,000	-	810	-
	1,055,000	-	105,000	950,000	36,569	-
	1,045,000	-	50,000	995,000	44,475	-
	-	400,000	-	400,000	-	-
	1,045,000	400,000	50,000	1,395,000	44,475	-
	270,000	-	65,000	205,000	10,075	-
\$	2,370,000	400,000	220,000	2,550,000	91,119	-

**Schedule 7**

<u>General Obligation Bond</u>		
<u>2010 Infrastructure</u>		
<u>Issued March 2, 2010</u>		
Interest		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
2.00	35,000	165,000
2.00	35,000	165,000
2.00	35,000	155,000
2.00	40,000	160,000
2.50	40,000	170,000
2.75	40,000	170,000
3.00	40,000	180,000
3.20	45,000	185,000
3.40	45,000	195,000
3.60	45,000	200,000
	-	160,000
	-	170,000
	-	180,000
	-	90,000
	<u>400,000</u>	<u>2,345,000</u>

## City of Dysart

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	<u>2010</u>
Property tax	\$ 410,578
Tax increment financing	65,870
Other city tax	80,888
Licenses and permits	2,476
Use of money and property	16,874
Intergovernmental	133,092
Charges for service	130,468
Special assessments	18,841
Miscellaneous	<u>77,464</u>
Total	<u>\$ 936,551</u>
Disbursements:	
Operating:	
Public safety	\$ 206,347
Public works	89,943
Health and social services	-
Culture and recreation	185,374
Community and economic development	17,751
General government	48,250
Debt service	236,444
Capital projects	<u>120,338</u>
Total	<u>\$ 904,447</u>

See accompanying independent auditor's report

Alan W. Flick, C.P.A.  
Gina E. Trimble, C.P.A.

819 1<sup>st</sup> St E  
Independence, IA 50644  
(319)334-4211  
Fax (319)334-6454

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 17, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dysart's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Dysart's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dysart's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Dysart's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying

Schedule of Findings and Questioned Costs as items II-C-10 and II-D-10 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dysart's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Dysart's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Dysart's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dysart and other parties to whom the City of Dysart may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dysart during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

December 17, 2010



City of Dysart  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Dysart was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2010.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-10 Preparation of Financial Statements - The City of Dysart, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles generally accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion – Response acknowledged.

- II-C-10 Sewer Utility Rates – The City Council approved a resolution to increase water rates effective March 15, 2010. Sewer rates are 30% of the water rate. After the rate increase took effect and the water rate was increased, the sewer rate was not increased.

Recommendation – The City should review their utility billing system after each approved rate increase to ensure the correct rates are being reflected and charged to customers.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – This was an oversight on the part of management and the utility billing software has been corrected. Rates now correctly reflect the increased sewer rate.

Conclusion – Response acknowledged.

II-D-10 Payroll Controls – During payroll testing, it was determined that an hourly employee's number of hours worked was miscalculated on his timesheet, resulting in the City overpaying him by 1.25 hours of time.

Recommendation – We recommend the City have an employee or official that does not prepare the payroll review the timesheets each pay period and recalculate number of hours worked for hourly employees.

Response – We will consider this.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-10 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2010.
- III-B-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- III-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-10 Business Transactions – There were no business transactions between the City and City officials or employees.
- III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-10 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
- III-H-10 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2010.

City of Dysart

Staff

This audit was performed by:

Gina Trimble, CPA, Manager  
Jeremy Lockard, CPA, Staff